

**CITY OF HOLLISTER - WASTEWATER (SEWAGE) TREATMENT PROJECT
or "NEW SEWER SYSTEM"**

Project Information Fact Sheet

1. Why is the new sewer system needed? What will be the benefits to the community?

The new sewer system will meet required higher treatment standards which will protect the groundwater and allow for the reuse of treated wastewater. The new plant will provide additional capacity allowing renewed community growth and economic revitalization. In addition, it will allow much needed expansion for health care, public safety, and educational facilities.

2. What are the reasons for the current building moratorium?

In 2002, Hollister's Wastewater Treatment Plant reached its design capacity and the California Regional Water Quality Control Board (RWQCB) required the City to impose a building moratorium to prevent further sewer connections to prevent any further increase in sewer flows to the plant.

3. How much will the new sewer system cost?

The total cost of the project is estimated at \$120 million. The project consists of three components:

- Treatment Facility - \$73 Million
- Recycled Water Distribution System - \$25 Million
- Seasonal Storage Pond System - \$22 Million

4. What will the monthly sewer rates be over the next several years? Will there be another rate increase thereafter?

In order to finance the new sewer system, the monthly sewer rates will need to be increased for all customers. The proposed rates for single family residential are in the following table

Proposed Wastewater Rates for Single Family Residences (Monthly Service Charge)

Customer Class	Current Rate	Fiscal Year 06/07	Fiscal Year 07/08	Fiscal Year 08/09	Fiscal Year 09/10	Fiscal Year 10/11
Single Family Residential	\$31.30	\$46.33	\$64.86	\$90.15	\$124.10	\$124.10

Rates for all customer types can be obtained from the City of Hollister website
www.hollister.ca.gov. These rates assume that no growth will occur.

However, the City's General Plan identifies that growth will occur and the treatment system is being sized for that growth. Potential rates for single family residences, assuming growth, are shown in the following table (rates for all customer types can be obtained from the City of Hollister website www.Hollister.ca.gov).

Potential Wastewater Rates for Single Family Residences (Monthly Service Charge)

Customer Class	Current Rate	Fiscal Year 06/07	Fiscal Year 07/08	Fiscal Year 08/09	Fiscal Year 09/10	Fiscal Year 10/11
Single Family Residential	\$31.30	\$46.33	\$64.86	\$68.10	\$71.50	\$71.50

5. Will the rates be subject to a vote by all City residents? What about connection fees?

No, the monthly sewer rates are not subject to a vote. The monthly sewer rates can be approved by the City Council if there is no majority protest by the approximately 9,300 commercial and residential property owners within the City. In order for a protest to be valid, it must be submitted in writing to the City Clerk.

Connection fees are not subject to voter or property owner approval but must be calculated in a fair and reasonable manner in accordance with State law and approved by the City Council.

6. What is the City doing to help those with low income or senior citizens with fixed income to cope with the increased sewer rates?

The City Council and staff are actively exploring ways to help customers with low income or senior citizens with fixed income. By State law, one class of customers can not subsidize another using Sewer Enterprise Funds. However, funds from the City's General Fund or another fund can be used. The City Council is evaluating the costs of subsidy for fixed income senior citizens and trying to identify an appropriate funding source. More information will be available at upcoming City Council meetings.

7. What will the City do to help low income and affordable housing with the new connection fees?

The City Council is investigating using of Redevelopment Agency and/or other funds to help those homeowners where the connection fee results in a financial hardship. One of the major requirements of the Redevelopment Agency is encourage and support affordable housing projects.

8. When will the new sewer system be completed and the moratorium lifted?

The project is expected to be completed in 2008. The City will approach the RWQCB prior to completion of the project to petition the lifting of the Cease and Desist Order and associated Building Moratorium in anticipation of sewer capacity becoming available.

9. What is the overall schedule?

Key schedule milestones are as follows:

- Adoption of New Rates and Environmental Documents ---Sept./Oct. 2006
- Treatment Facility Construction - Begins Oct. 2006
- Seasonal Storage System Construction- Begins Spring 2007
- Recycled Water Distribution System- Begins Fall 2007
- All sewer system projects are scheduled to have construction completed in 2008.

10. Where can I get more information?

Additional information can be obtained by visiting the City of Hollister web site at www.hollister.ca.gov.

11. What does the new sewer system consist of? What is going to be built?

The new sewer system will consist of three integrated projects: 1) an upgraded Wastewater Treatment Plant (Plant); 2) Seasonal Storage Pond System; and 3) a Recycled Water Distribution System. The Plant will be sized to accommodate population growth per the City's approved General Plan to the Year 2023 or a flow of five (5) million gallons per day (mgd). The existing plant has a capacity of 2.7 mgd.

The upgraded treatment process will consist of state of the art Membrane Bioreactors (MBR) technology to produce high quality treated water suitable for widespread recycling complying with California Department of Health Services regulations. Initially, the recycled water will be distributed to spray fields for pasture irrigation. The long term plan is to use recycled water for high value crop irrigation once the salt content is reduced to acceptable levels in accordance with the Hollister Urban Area Water and Wastewater Master Plan (Expected completion, Spring 2007).

12. How much of the sewer system is for upgrading the existing system to comply with new water quality regulations? How much is for expanded capacity to accommodate future growth?

The new Plant project will consist of upgrading the quality of treatment from the existing pond system to a Membrane Bioreactor (MBR) technology. This will comply with new RWQCB water quality standards to protect the groundwater. Therefore, even if the Plant was not expanded beyond its current 2.7 million gallons per day (mgd) capacity, the Plant would need to be upgraded to comply with these stringent water quality standards.

The Plant is proposed to be expanded to handle 5 mgd of flow, or 2.3 mgd of additional wastewater flow. This additional capacity will accommodate the residential, commercial, and industrial growth to the Year 2023 per the City's approved General Plan (adopted 12/2005).

13. Why has the estimated cost increased so much over the past few years? What is the City doing to avoid a cost overrun?

Construction costs for public works projects have escalated dramatically over recent years due to high construction demand from rebuilding after Hurricane Katrina, major construction in China, spiking energy costs, and many other reasons. Over the last 2 years, construction costs have increased over 20% per year! Therefore, any delays in constructing the new sewer system will likely result in continued cost increases. These costs would be transferred to increases in the proposed sewer rates and future connection fees. The City is accelerating the project schedule as fast as possible to avoid unacceptable construction cost escalation.

14. Why can't we replace our current treatment system and not accommodate growth? How much would that save?

By California state law, every city must allow growth to provide its fair share of housing. The City of Hollister must accommodate growth per its General Plan. There would be no cost savings for existing customers. A lower capacity facility would increase the per customer cost. By allowing future users to be connected to the sewer system, both new development and existing customers will receive the benefit of lower costs through economies of scale.

15. What will be the new sewer connection fees? How are they calculated?

A connection fee analysis is currently being prepared. Sewer connection fees will pay for 46% of the project based on flows. Based on the total estimated capital cost for the new sewer system, 46% of the project equates to \$55,200,000

Connection fees will be calculated by dividing the cost of expansion of the sewer system for new users (future growth) by the demand of future users, in various classes (i.e. Single family, Multiple family, Commercial, etc.), per the City's General Plan.

16. What do other communities pay for monthly sewer rates and connection fees?

Monthly sewer rates and connection fees vary widely throughout the State. Based on the a State-conducted survey dated May 2006, single family residential sewer rates for communities similar in size to Hollister vary from zero to over \$117 per month, averaging \$23 per month. Currently, Hollister's rate is \$31.30 per month for a single family residence.

Similarly, the state survey shows single family dwelling connection fees ranging from zero to over \$20,000, averaging approximately \$3,000 per connection. Currently, Hollister's connection fee is \$3,560.00 for a single family residence.

17. Why are the monthly sewer rates and connection fees proposed for Hollister high compared to other communities?

All communities with major sewer system upgrade and expansion projects are facing dramatic increases in both monthly sewer rates and connection fees. For example, the City of Healdsburg, CA just approved a \$32 million construction project for their new sewer plant and is anticipating needing to increase sewer rates to over \$80 per month to finance the project. Another example is for the Eastern Municipal Water District near Riverside, CA where they are proposing a minimum \$15,000 single family connection fee for a \$90 million sewer system project serving one of their communities.

The City of Hollister's sewer system costs are especially high due to the requirement for "zero discharge" of treated effluent to the San Benito River since the river is upstream of the ecologically-sensitive Monterey Bay estuary. The RWQCB as clearly stated that they will not permit Hollister to discharge to the river. Instead, Hollister must upgrade and expand its treatment plant and also install seasonal storage ponds and a recycled water distribution system to dispose of or recycle the treated water.

18. What will keep the City from spending the funds from sewer rates and connection fees on things other than the new sewer system?

Revenues collected from monthly sewer rates and connection fees will be deposited into the Sewer Enterprise Fund and Sewer Expansion Fund respectively. State law, government accounting standards, and City ordinance place very specific conditions on expenditures from these accounts. Enterprise funds must be utilized only for the benefit of the enterprise and expansion funds must be used only for the purposes identified in study adopted to impose them. Furthermore, when the City issues revenue bonds, it is legally bound by covenants which pledge those revenues to repay the incurred debt.

19. The financing proposed for the new sewer system is with 30-year revenue bonds but the plant is sized for growth until 2023 (15 years from when it is scheduled to be built). What will happen in 2023 when we need a new plant?

The financial package has several components. The bond repayment schedule of 30 years is based upon the debt associated with improvements for existing customers. The portion of the facility that is sized for expansion will be paid in full by new development by the year 2023. Future capacity expansion for development beyond the current General Plan could be financed through assessments or community facilities districts, associated with that development. There would be no additional cost to rate payers to finance any future plant expansion.

20. What will the new spray fields be like? Will there be odors?

The proposed spray fields will be virtually identical to typical pasture spray irrigation systems used throughout the San Benito County and elsewhere. Pasture land irrigation systems using recycled water are common including systems in operation at airports in accordance with the Federal Aviation Administration (FAA).

The wastewater will be treated to a standard that will allow the unrestricted reuse on agricultural crops. All of the odor causing organics will be removed from the water prior to it leaving the treatment plant. Odor complaints have not been a problem at other recycled water pasture irrigation systems nor are any complaints anticipated at the spray field site(s) proposed for Hollister.

21. What happens when the spray fields go away in several years?

The spray fields are meant to be a temporary method to dispose of recycled water until landscape or crop irrigation is developed to put the recycled water into beneficial use. The City, County and Water District have agreed to assess and develop markets and customers for water recycling. As beneficial uses become available, the spray fields will be phased out.

22. Will the construction of the new sewer system be done by union labor?

The project will be required to pay prevailing wages in accordance with State and Federal Law regarding construction projects using public funds.

23. How will the bonds for the new sewer system be repaid?

The revenue bonds will be repaid using funds from the City's Sewer Enterprise and Expansion Funds that come from revenue collected from monthly sewer rates and connection fees respectively.

24. What if the proposed sewer rates are not approved?

If the proposed monthly sewer rates are not approved by the City Council, then the City can not solicit revenue bonds to finance the construction of the new sewer system. This will subject the City to additional penalties from the RWQCB for not complying with water quality regulations. Additionally, the building moratorium would continue.

An example of a community where such a situation occurred is for Los Osos, a community with a population about half the size of Hollister in San Luis Obispo County. Like Hollister, the sewer project is expensive (\$150 million) due to a large amount of sewer works needed outside of the new plant site. In Los Osos' case, they need a new sewage collection system where in Hollister's case, we need a Recycled Water Storage Pond and Distribution System. Also like Hollister, Los Osos is under a building moratorium imposed by the RWQCB resulting in high projected monthly sewer rates (about \$200/month) due to no revenue being available from connection fees. The property owners protested the rate increase so their sewer project is stalled. The Los Osos community now faces \$11 million in fines from the State due to noncompliance with water quality regulations and violation of their Cease and Desist Order that requires them to build a new sewer system. They still need a new sewer project in order to comply with State regulations and lift their moratorium. The Los Osos situation is a situation that we want to avoid in Hollister.